



March 5, 2010

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Subject: Comments on Part 704 Corporate Credit Unions

Stanford Federal Credit Union (SFCU) regards the manner in which corporate credit unions are structured and financed as one of the most important issues facing the credit union industry. The role that the NCUA plays in structuring not only the regulation but how it takes initiative in shaping and influencing statutes and regulations is of dramatic concern to our credit union as it relates to our ability to continue service to our 48,000 members.

In short, we conclude that the corporate system is “broken.” We believe that the **proposed regulations do not adequately address the systemic problems inherent in the current system.**

SFCU proposes that the current corporate business model which allows dual functions of investment and payments/settlement services within the same entity should be terminated. At best, those dramatically different functions, if surviving, should be separated.

We have reviewed the comment letter prepared by the California Credit Union League (CCUL). That document addresses incremental changes in the proposed regulation with the assumption that the proposed regulation, given incremental changes, may (or may

not) bring about a viable corporate credit union system that continues the existing business model but under tighter regulation and control. **SFCU disagrees with the recommendations of the CCUL** in that it does not address the systemic problem of the continuation of the current corporate business model that is flawed.

We have reviewed the *Report of the CUNA Corporate Credit Union Task Force, February 2010*. That document identifies the inherent flaws in the current corporate credit union model as well as the probable reluctance of natural person credit unions to inject equity into the corporate system as it would be structured under the proposed regulation. **SFCU agrees with the comments and recommendation of the CUNA task force Report.**

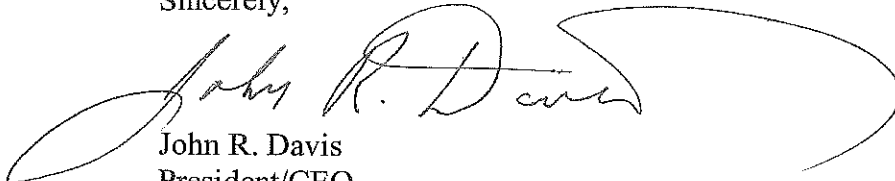
Recapitalization of Corporate Credit Unions

The *Report* addresses the issue that natural person credit unions may be unwilling to invest significant amounts of capital under the existing model. The *Report* further states that any corporate credit union model that requires large balance sheets, such as one either providing portfolio investments or the combination of investment and processing services, would pose risks of equity investment that would probably be unacceptable to many natural person credit unions. Given the demonstrated ineptitude of U.S. Central and WECORP in managing large portfolios, SFCU is reluctant to invest in corporate credit unions that would require large balance sheets. SFCU is more open to investment in a corporate credit union providing processing services at competitive rates and requires small equity investment.

SFCU concludes that the CUNA task force *Report* does provide adequate comment and direction for an adequate corporate credit union system but does not go far enough. The need for investment opportunities, while they may be served well under the agent or clearing house concept in the *Report*, does not necessarily provide an entity to serve the investment needs of all credit unions, both large and small. We encourage the NCUA to take an active role to sponsor the establishment of a Government Sponsored Enterprise (GSE) to provide a liquidity facility and investment products available to natural person

credit unions. Consider that Congress established GSEs "to improve the efficiency of capital markets" and to overcome statutory and other market imperfections which otherwise prevent funds from moving easily from suppliers of funds to areas of high loan demand. The economic rationale for GSEs is the belief that without such government-sponsored institutions, a critical area of necessary debt financing would be underserved or served inefficiently.

Sincerely,

A handwritten signature in cursive script, appearing to read "John R. Davis", with a large, sweeping flourish extending to the right.

John R. Davis
President/CEO
Stanford Federal Credit Union
Palo Alto, California
Assets \$1 billion +